

THE ARC OF MOREHOUSE

**Financial Statements
For the Years Ended June 30, 2012 and 2011**

THE ARC OF MOREHOUSE
FOR THE YEARS ENDED JUNE 30, 2012 and 2011

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LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

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INDEPENDENT AUDITORS' REPORT

**Board of Directors
The Arc of Morehouse
Bastrop, Louisiana**

We have audited the accompanying statements of financial position of **The Arc of Morehouse** (the Association) as of June 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2012 and 2011, and the changes of its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2012 on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**Board of Directors
The Arc of Morehouse**

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as Supplemental Schedules in the Table of Contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Huffman, Huffman, Reynolds, & Seignier

(A Professional Accounting Corporation)

December 26, 2012

FINANCIAL STATEMENTS

THE ARC OF MOREHOUSE
STATEMENTS OF FINANCIAL POSITION

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
ASSETS		
Cash and Cash Equivalents	\$ 492,144	\$ 435,211
Investments	101,070	148,582
Accounts Receivable		
Services	198,385	226,942
Other	1,434	2,505
Prepaid Expenses	14,273	14,483
Fixed Assets	996,492	964,355
Accumulated Depreciation	<u>(656,401)</u>	<u>(606,148)</u>
TOTAL ASSETS	\$ <u>1,147,397</u>	\$ <u>1,185,930</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts Payable	\$ 8,883	\$ 8,823
Accrued Payroll and Taxes	41,214	86,670
Other Accrued Liabilities	<u>5,364</u>	<u>5,570</u>
Total Liabilities	55,461	101,063
Net Assets		
Unrestricted	<u>1,091,936</u>	<u>1,084,867</u>
Total Net Assets	<u>1,091,936</u>	<u>1,084,867</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,147,397</u>	\$ <u>1,185,930</u>

The accompanying notes are an integral part of these financial statements.

**THE ARC OF MOREHOUSE
STATEMENTS OF ACTIVITIES**

	<u>Year Ended June 30,</u>	
	<u>2012</u>	<u>2011</u>
Support, Revenue and Gains		
Intergovernmental Revenue	\$ 1,690,722	\$ 1,811,645
Program Receipts	276,211	368,730
United Way	1,491	2,435
Donations	487	340
Memberships	808	1,365
Interest	3,226	3,565
Miscellaneous	22,987	1,378
Total Support, Revenue and Gains	<u>1,995,932</u>	<u>2,189,458</u>
Expenses		
Program Services		
Adult Habilitation	250,823	310,603
Contract Services	128,480	133,530
Supported Living	672,651	718,428
East Morehouse Community Home	256,443	303,399
Crossett Road Community Home	287,898	298,169
Total of Program Services	<u>1,596,295</u>	<u>1,764,129</u>
Supporting Services		
General and Administrative	<u>391,985</u>	<u>335,690</u>
Total Expenses	<u>1,988,280</u>	<u>2,099,819</u>
Loss on Disposal of Assets	<u>(583)</u>	<u>-</u>
Increase in Net Assets	<u>7,069</u>	<u>89,639</u>
Net Assets at Beginning of Year	<u>1,084,867</u>	<u>995,228</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,091,936</u>	<u>\$ 1,084,867</u>

The accompanying notes are an integral part of these financial statements.

THE ARC OF MOREHOUSE
STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2012								
	Program Services				Residential Services		Total Program Services	Supportive Services
	Adult Habilitation (Day) Program	Contract Services	Supported Living	East Morehouse	Crossett Road			
Salaries	\$ 140,856	\$ 113,308	\$ 567,685	\$ 122,763	\$ 134,319	\$ 1,078,931	\$ 194,474	\$ 1,273,405
Payroll Taxes and Fringe Benefits	15,927	5,626	59,047	14,792	16,256	111,648	42,537	154,185
Total Salaries and Related Expenses	156,783	118,934	626,732	137,555	150,575	1,190,579	237,011	1,427,590
Consultants	-	-	4,125	6,592	6,608	17,325	-	17,325
Data Processing	-	-	-	239	239	478	6,806	7,284
Dues and Subscriptions	-	-	-	-	-	-	11,996	11,996
Food and Client Needs	-	1,009	4,856	29,991	35,901	71,757	-	71,757
Insurance	19,883	1,616	9,567	7,538	7,260	45,864	16,691	62,555
Maintenance	9,892	-	721	4,019	4,456	19,088	13,146	32,234
Office	71	-	118	15	15	219	12,671	12,890
Postage	-	-	6	22	21	49	2,221	2,270
Professional Fees	-	-	-	-	-	-	20,676	20,676
Public Awareness	1,527	-	-	834	833	3,194	8,792	11,986
Supplies	4,501	6,921	474	823	405	13,124	17,425	30,549
Taxes and Licenses	1,227	-	9,494	1,854	2,089	14,664	2,594	17,258
Telephone	1,018	-	339	1,149	1,106	3,612	11,900	15,512
Training	-	-	-	44,601	60,483	105,084	-	105,084
Transportation	34,991	-	5,346	5,389	5,912	51,638	691	52,329
Travel and Conventions	1,952	-	5,046	1,606	559	9,163	3,270	12,433
Utilities	7,727	-	-	5,771	5,895	19,393	6,183	25,576
Total	239,572	128,480	666,824	247,998	282,357	1,565,231	372,073	1,937,304
Depreciation	11,251	-	5,827	8,445	5,541	31,064	19,912	50,976
TOTAL FUNCTIONAL EXPENSES	\$ 250,823	\$ 128,480	\$ 672,651	\$ 256,443	\$ 287,898	\$ 1,596,295	\$ 391,985	\$ 1,988,280

The accompanying notes are an integral part of these financial statements.

THE ARC OF MOREHOUSE
STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2011

	Program Services						Supportive Services	
	Adult Habilitation (Day) Program	Contract Services	Supported Living	Residential Services		Total Program Services	General and Administrative	Total
				East Morehouse	Crossett Road			
Salaries	\$ 189,194	\$ 118,439	\$ 614,448	\$ 140,427	\$ 136,801	\$ 1,199,309	\$ 178,917	\$ 1,378,226
Payroll Taxes and Fringe Benefits	18,547	5,906	66,567	18,136	17,907	127,063	41,000	168,063
Total Salaries and Related Expenses	207,741	124,345	681,015	158,563	154,708	1,326,372	219,917	1,546,289
Consultants	-	-	750	8,287	7,717	16,754	-	16,754
Data Processing	42	-	-	-	-	42	6,630	6,672
Dues and Subscriptions	1,685	-	2,462	1,123	1,139	6,409	5,012	11,421
Food and Client Needs	243	765	986	31,364	31,673	65,031	-	65,031
Insurance	23,514	1,771	6,378	7,918	5,854	45,435	20,132	65,567
Maintenance	9,143	-	-	5,634	5,581	20,358	15,913	36,271
Office	288	-	419	138	118	963	15,018	15,981
Postage	-	-	-	9	4	13	1,929	1,942
Professional Fees	-	-	-	-	-	-	17,034	17,034
Public Awareness	2,754	-	2,465	1,034	1,635	7,888	250	8,138
Supplies	4,801	6,649	1,443	449	376	13,718	1,661	15,379
Taxes and Licenses	2,359	-	5,945	-	2,365	10,669	2,563	13,232
Telephone	1,949	-	75	1,059	1,090	4,173	10,344	14,517
Training	-	-	-	67,193	67,683	134,876	-	134,876
Transportation	32,540	-	3,205	4,339	5,822	45,906	136	46,042
Travel and Conventions	2,349	-	4,376	431	247	7,403	1,177	8,580
Utilities	7,401	-	-	6,078	6,016	19,495	6,301	25,796
Total	296,809	133,530	709,519	293,619	292,028	1,725,505	324,017	2,049,522
Depreciation	13,794	-	8,909	9,780	6,141	38,624	11,673	50,297
TOTAL FUNCTIONAL EXPENSES	\$ 310,603	\$ 133,530	\$ 718,428	\$ 303,399	\$ 298,169	\$ 1,764,129	\$ 335,690	\$ 2,099,819

The accompanying notes are an integral part of these financial statements.

THE ARC OF MOREHOUSE

STATEMENTS OF CASH FLOWS

	<u>Years Ended June 30,</u>	
	<u>2012</u>	<u>2011</u>
Cash Flows From Operating Activities		
Increase in Net Assets	\$ 7,069	\$ 89,639
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	50,976	50,297
Loss on Disposal of Assets	583	-
Changes in Assets and Liabilities:		
Accounts Receivable	29,628	(14,346)
Prepays and Other Current Assets	210	(6,000)
Accounts Payable	60	1,349
Accrued Payroll and Taxes	(45,456)	(10,153)
Other Accrued Liabilities	(206)	(259)
Net Cash Provided by Operating Activities	<u>42,864</u>	<u>110,527</u>
Cash Flows From Investing Activities		
Sales (Purchases) of Investments, Net	47,512	(52,896)
Additions to Property and Equipment	<u>(33,443)</u>	<u>(10,218)</u>
Net Cash Used by Investing Activities	14,069	(63,114)
Net Increase in Cash and Cash Equivalents	56,933	47,413
Beginning Cash and Cash Equivalents	<u>435,211</u>	<u>387,798</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 492,144</u>	<u>\$ 435,211</u>

The accompanying notes are an integral part of these financial statements.

**THE ARC OF MOREHOUSE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

Note 1 - Description of Organization

The Arc of Morehouse (the Association) is a nonprofit voluntary health and welfare association chartered in 1955 to promote the general welfare of mentally retarded persons residing in Morehouse Parish.

Note 2 - Summary of Significant Accounting Policies

A. Financial Statement Presentation

In accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205, the Association is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions. The Association has not received any contributions with donor-imposed restrictions that would result in permanently restricted net assets.

The Association has also adopted FASB ASC 958-605, "Not For Profit Entities-Revenue Recognition." In accordance with FASB ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. At June 30, 2012 and 2011, the Association received no contributions which were either temporarily or permanently restricted.

Donations are considered to be available for unrestricted use unless specifically restricted by the donor. Restricted contributions received during the year whose restrictions are met in the same reporting period are treated as unrestricted contributions.

B. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

C. Cash, Cash Equivalents, and Investments

The Association considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

THE ARC OF MOREHOUSE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

The Association's investments at June 30, 2012 and 2011 consisted entirely of certificates of deposit with maturities greater than three months. The certificates are reported at cost which approximates fair market value.

D. Fixed Assets

Fixed assets are recorded at actual or historical cost. Donated assets are recorded at fair market value on the date of donation. Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized. The Association has a policy to capitalize fixed assets costing more than \$500. Upon retirement, sale or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and the gain or loss is included in operations.

Depreciation of buildings and equipment is computed by the straight-line method over the following estimated service lives:

	<u>Years</u>
Buildings and Improvements	15-30
Furniture and Equipment	5-10
Vehicles	3-5

E. Allocation and Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases. The Association records its expenses in several ways: direct, indirect, and shared. Direct costs are the total costs of direct support where staff is paid for only that program. Indirect costs are of two types. Level I indirect costs are salary expenses of an employee whose activities are shared between more than one program in the same department. Level II indirect costs are salary expenses shared between more than one department. Shared expenses represent the Supporting Services costs.

F. Programs

The Association's principal programs and primary funding sources are:

THE ARC OF MOREHOUSE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

Adult Habilitation (Day Program) - The Adult Habilitation funds are used to train clients in vocational and prevocational activities and supportive services.

Contract Services - Contract Services income is derived from services performed by clients which include janitorial and other contracts.

Supported Living - Supported Living income is received from the Louisiana Department of Health and Hospitals. This program, similar to the Residential Services, helps the individual clients become more independent by providing support and training in their residences within the community.

Residential Services - Residential Services income is received from the Louisiana Department of Health and Hospitals. Clients pay a pro-rata share of the costs based on their income. This program provides clients with a home environment within the community and helps them become more independent citizens.

G. Tax-Exempt Status

The Association is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and, therefore, has no provision for Federal income taxes. Contributions to the Association are tax deductible within the limitations prescribed by the Code.

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Reclassifications

Reclassifications have been made to the prior year financial statements to make them comparable to the current year presentation.

THE ARC OF MOREHOUSE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

Note 3 - Fixed Assets

Fixed assets consisted of the following:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Depreciable Assets		
Buildings	\$ 481,293	\$ 481,293
Equipment	139,054	133,917
Vehicles	250,950	250,950
Improvements	81,975	81,975
Total depreciable assets	<u>953,272</u>	<u>948,135</u>
Less: Accumulated depreciation	(656,401)	(606,148)
Net depreciable assets	<u>296,871</u>	<u>341,987</u>
Nondepreciable Assets		
Land	16,220	16,220
Construction In Progress	27,000	-
Total nondepreciable assets	<u>43,220</u>	<u>16,220</u>
Total fixed assets	<u>\$ 340,091</u>	<u>\$ 358,207</u>

Depreciation charged to expense in 2012 and 2011 is \$50,976 and \$50,297, respectively.

Note 4 - Commitments

During the year ended June 30, 2012, the Association signed a contract for the renovation of its Lucy Hudson Activity Center. The contracted amount for the renovations was \$54,000. At June 30, 2012, the Association was obligated for \$27,000 for the remainder of the contract.

Note 5 - Concentrations and Uncertainties

Certain financial instruments potentially subject the Association to concentration of credit risk. These financial instruments consist primarily of cash and cash equivalents. The Association maintains its cash in various bank deposit accounts, which at times may exceed federally insured limits. The Association has not experienced any losses in such accounts. At June 30, 2012, no bank deposits exceeded the federal insured limits.

The Association receives approximately 85% of total revenue and support from various state agencies. Federal and state budget cuts have resulted in decreased revenues for the Association in the current year and it is likely that additional cuts will be made in subsequent periods.

**THE ARC OF MOREHOUSE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

Note 6 – Retirement Plan

Effective July 1, 2005, the Association began contributing to the American Funds 403(b) retirement plan at a rate based on term of service and contingent upon agency funds being available. The Association will match up to 50% of a participant's contribution not to exceed 6% of the employee's annual salary. All full-time employees are eligible to participate. Matching contributions made by the Association for the years ended June 30, 2012 and 2011 were \$1,351 and \$1,301, respectively.

Note 7 – Subsequent Events

Subsequent events have been evaluated through December 26, 2012 and it has been determined that no significant events have occurred for disclosure. December 26, 2012 is the date that the financial statements were available to be issued.

SUPPLEMENTAL SCHEDULES

THE ARC OF MOREHOUSE
COMBINING SCHEDULES OF FINANCIAL POSITION

June 30, 2012

	Program Services							Residential Services			Total
	Local Fund	Adult Habilitation (Day) Program	Contract Services	Supported Living	East		Crossett Road				
					Morehouse						
ASSETS											
Cash and Cash Equivalents	\$ 111,111	\$ -	\$ 50,920	\$ 258,732	\$ -	\$ -	\$ 71,381	\$ -		\$ 492,144	
Investments	101,070	-	-	-	-	-	-	-		101,070	
Accounts Receivable	-	31,601	6,549	83,623	28,420	49,626	-	-		199,819	
Prepaid Expenses	14,048	-	-	-	-	225	-	-		14,273	
Due From Other Funds	1,809,073	412,455	5,176	276,888	75,856	479,511	-	-		3,058,959	
Fixed Assets	996,492	-	-	-	-	-	-	-		996,492	
Accumulated Depreciation	(656,401)	-	-	-	-	-	-	-		(656,401)	
TOTAL ASSETS	\$ 2,375,393	\$ 444,056	\$ 62,645	\$ 619,243	\$ 104,276	\$ 600,743	\$ -	\$ -		\$ 4,206,356	
LIABILITIES AND NET ASSETS											
Current Liabilities											
Accounts Payable	\$ 119	\$ 1,350	\$ 774	\$ 1,916	\$ 2,086	\$ 2,638	\$ -	\$ -		\$ 8,883	
Accrued Liabilities	8,212	5,120	2,471	17,294	5,968	7,513	-	-		46,578	
Due to Other Funds	2,013,725	146,502	8,411	519,782	62,708	307,831	-	-		3,058,959	
Total Current Liabilities	2,022,056	152,972	11,656	538,992	70,762	317,982	-	-		3,114,420	
Net assets											
Unrestricted	353,337	291,084	50,989	80,251	33,514	282,761	-	-		1,091,936	
Total Net Assets	353,337	291,084	50,989	80,251	33,514	282,761	-	-		1,091,936	
TOTAL LIABILITIES AND NET ASSETS											
NET ASSETS	\$ 2,375,393	\$ 444,056	\$ 62,645	\$ 619,243	\$ 104,276	\$ 600,743	\$ -	\$ -		\$ 4,206,356	

THE ARC OF MOREHOUSE
COMBINING SCHEDULES OF FINANCIAL POSITION

June 30, 2011

	Program Services					
	Local Fund	Adult Habilitation (Day) Program	Contract Services	Supported Living	Residential Services	
					East Morehouse	Crossett Road
ASSETS						
Cash and Cash Equivalents	\$ 59,732	\$ -	\$ 89,966	\$ 72,049	\$ 7,269	\$ 206,195
Investments	148,582	-	-	-	-	-
Accounts Receivable	-	47,886	11,049	97,710	30,628	42,174
Prepaid Expenses	14,258	-	-	-	-	225
Due From Other Funds	1,745,500	413,090	5,062	541,835	82,259	265,679
Fixed Assets	964,355	-	-	-	-	-
Accumulated Depreciation	(606,148)	-	-	-	-	-
TOTAL ASSETS	\$ 2,326,279	\$ 460,976	\$ 106,077	\$ 711,594	\$ 120,156	\$ 514,273
						\$ 4,239,355
LIABILITIES AND NET ASSETS						
Current Liabilities						
Accounts Payable	\$ -	\$ 2,317	\$ 1,225	\$ 886	\$ 2,011	\$ 2,384
Accrued Liabilities	237	15,776	7,129	40,845	14,020	14,233
Due to Other Funds	1,963,881	213,949	3,801	500,582	62,247	308,965
Total Current Liabilities	1,964,118	232,042	12,155	542,313	78,278	325,582
						\$ 8,823
Net assets						
Unrestricted	362,161	228,934	93,922	169,281	41,878	188,691
Total Net Assets	362,161	228,934	93,922	169,281	41,878	188,691
						\$ 1,084,867
TOTAL LIABILITIES AND NET ASSETS	\$ 2,326,279	\$ 460,976	\$ 106,077	\$ 711,594	\$ 120,156	\$ 514,273
						\$ 4,239,355

**THE ARC OF MOREHOUSE
COMBINING SCHEDULES OF ACTIVITIES**

For the Year Ended June 30, 2012

	Program Services						
	Local Fund	Adult Habilitation (Day) Program	Contract Services	Supported Living	Residential Services		Total
					East Morehouse	Crossett Road	
Revenues and Other Support							
Intergovernmental Revenue	\$ -	\$ 302,916	\$ -	\$ 722,951	\$ 263,620	\$ 401,235	\$ 1,690,722
Program Receipts	-	105,084	83,929	-	36,408	50,790	276,211
United Way	-	1,491	-	-	-	-	1,491
Donations	50	437	-	-	-	-	487
Memberships	808	-	-	-	-	-	808
Interest	3,226	-	-	-	-	-	3,226
Miscellaneous	21,633	8	1,266	-	5	75	22,987
Total Revenues and Other Support	25,717	409,936	85,195	722,951	300,033	452,100	1,995,932
Expenses							
Program Services							
Adult Habilitation	-	320,749	-	-	-	-	320,749
Contract Services	-	-	128,480	-	-	-	128,480
Supported Living	-	-	-	810,675	-	-	810,675
East Morehouse Community Home	-	-	-	-	308,083	-	308,083
Crossett Road Community Home	-	-	-	-	-	351,729	351,729
Total Program Services	-	320,749	128,480	810,675	308,083	351,729	1,919,716
Management and General	17,588	-	-	-	-	-	17,588
Total Expenses Before Depreciation	17,588	320,749	128,480	810,675	308,083	351,729	1,937,304
Depreciation	-	15,811	-	13,907	11,820	9,438	50,976
Total Expenses	17,588	336,560	128,480	824,582	319,903	361,167	1,988,280
Increase (Decrease) in Net Assets	8,129	73,376	(43,285)	(101,631)	(19,870)	90,933	7,652
Other Sources (Uses)							
Transfers In	19,168	388	513	14,010	11,847	9,108	55,034
Transfers Out	(35,538)	(11,614)	(161)	(1,409)	(341)	(5,971)	(55,034)
Loss On Disposal	(583)	-	-	-	-	-	(583)
Total Other Sources	(16,953)	(11,226)	352	12,601	11,506	3,137	(583)
Increase (Decrease) in Net Assets	(8,824)	62,150	(42,933)	(89,030)	(8,364)	94,070	7,069
Net Assets at Beginning of Year	362,161	228,934	93,922	169,281	41,878	188,691	1,084,867
NET ASSETS AT END OF YEAR	\$ 353,337	\$ 291,084	\$ 50,989	\$ 80,251	\$ 33,514	\$ 282,761	\$ 1,091,936

**THE ARC OF MOREHOUSE
COMBINING SCHEDULES OF ACTIVITIES**

For the Year Ended June 30, 2011

		Program Services					
	Local Fund	Adult Habilitation (Day) Program	Contract Services	Supported Living	East Morehouse	Crossett Road	Total
Revenues and Other Support							
Intergovernmental Revenue	\$ -	\$ 251,965	\$ -	\$ 826,342	\$ 340,124	\$ 393,214	\$ 1,811,645
Program Receipts	-	134,876	145,193	-	38,862	49,799	368,730
United Way	-	2,435	-	-	-	-	2,435
Donations	300	-	-	-	40	-	340
Memberships	1,365	-	-	-	-	-	1,365
Interest	3,565	-	-	-	-	-	3,565
Miscellaneous	72	-	1,122	-	-	184	1,378
Total Revenues and Other Support	\$ 5,302	\$ 389,276	\$ 146,315	\$ 826,342	\$ 379,026	\$ 443,197	\$ 2,189,458
Expenses							
Program Services							
Adult Habilitation	-	377,151	-	-	-	-	377,151
Contract Services	-	-	133,530	-	-	-	133,530
Supported Living	-	-	-	841,385	-	-	841,385
East Morehouse Community Home	-	-	-	-	348,833	-	348,833
Crossett Road Community Home	-	-	-	-	-	346,307	346,307
Total Program Services	-	377,151	133,530	841,385	348,833	346,307	2,047,206
Management and General	2,316	-	-	-	-	-	2,316
Total Expenses Before Depreciation	2,316	377,151	133,530	841,385	348,833	346,307	2,049,522
Depreciation	-	16,712	-	13,688	11,784	8,113	50,297
Total Expenses	2,316	393,863	133,530	855,073	360,617	354,420	2,099,819
Increase (Decrease) in Net Assets	2,986	(4,587)	12,785	(28,731)	18,409	88,777	89,639
Other Sources (Uses)							
Transfers In	10,352	17,638	-	14,281	11,729	7,977	61,977
Transfers Out	(30,431)	(455)	(1,328)	-	(995)	(8,768)	(61,977)
Total Other Sources	(40,079)	17,183	(1,328)	14,281	10,734	(791)	-
Increase (Decrease) in Net Assets	(37,093)	12,596	11,457	(14,450)	29,143	87,986	89,639
Net Assets at Beginning of Year	399,254	216,338	82,465	183,731	12,735	100,705	995,228
NET ASSETS AT END OF YEAR	\$ 362,161	\$ 228,934	\$ 93,922	\$ 169,281	\$ 41,878	\$ 188,691	\$ 1,084,867

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS

John L. Luffey, MBA, CPA (1963-2002)

Francis I. Huffman, CPA

Philip A. Ragsdale, CPA

David Ray Soignier, CPA, MBA

John Herman, CPA

Lynn Andries, CPA

Esther Atteberry, CPA

Lori Woodard, MBA, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
The Arc of Morehouse
Bastrop, Louisiana

We have audited the financial statements of The Arc of Morehouse (a nonprofit organization, the Association) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Association is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**The Arc of Morehouse
Bastrop, LA**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management of the Arc of Morehouse, its Board of Directors, others within the entity, other entities granting funds to the Association, and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Huffey, Huffman, Rozelake, & Seigrist

(A Professional Accounting Corporation)

December 26, 2012

**The ARC of Morehouse
Bastrop, Louisiana**

**Summary Status of Prior Year Findings
For the Year Ended June 30, 2012**

11-01 Inadequate documentation supporting Medicaid billings

Finding:

During the 2010 – 2011 fiscal year, an audit performed by the Louisiana Department of Health & Hospitals (DHH) into The Arc of Morehouse's (the Association) documentation supporting its Medicaid billings revealed insufficient support for certain items as prescribed by Medicaid and DHH guidelines. In particular, these issues related to the manner in which transportation records were kept and the billing of days for which certain clients were under hospital care. It was recommended that the Association personnel review and maintain all supporting documentation and familiarize themselves with Medicaid and DHH guidelines to ensure that all Medicaid billings are properly supported.

Status:

This issue has been resolved.

11-02 Financial statements not filed timely

Finding:

Louisiana Revised Statute 24:513 requires that the Association prepare and submit its audited financial statements to the Louisiana Legislative Auditor no later than six months after the end of the most recent fiscal year. Due to significant health issues experienced by the Business Manager and the resulting delays in the audit process, audited financial statements were not able to be submitted within the time frame prescribed by law. In light of these conditions, an extension with the Louisiana Legislative Auditor was requested and received. It was recommended that the Association personnel take necessary steps to ensure that audited financial statements are able to be submitted by the prescribed deadline in future periods.

Status:

This issue has been resolved.